



Public Policies

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MDI, industry group recommend further cuts in 2001 workers comp rates

Since 1994, Missouri businesses have enjoyed 24.3 percent rate reduction for insurance to cover injured employees

Both the Missouri Department of Insurance and a key industry group are recommending that several years of workers compensation rate reductions continue into 2001.

"We have been prepared for this long cycle of rate cuts to level out eventually, but the standard indicators for setting rates continue to justify modest rate reductions next year," said Keith Wenzel, the MDI director.

The state agency is advising Missouri's 300-plus workers comp insurers to cut premium rates (see note) by an average of 2.5 percent in 2001, saving businesses that buy commercial coverage a potential \$14 million next year.

The National Council on Compensation Insurance (NCCI), an industry-affiliated group permitted to help companies establish rates, suggested that rates decline by 0.5 percent overall.

Since January 1994 — when Missouri deregulated rates for the first time in the 75-year history of workers compensation insurance — average rates have dropped 24.3 percent, cutting more than \$180 million a year from the annual insurance bills of Missouri businesses. This seven-year stretch of relief contrasts with double-digit increases in the 1980s and early 1990s.

Through October this year, 164 insurers reduced rates an average of 7.2 percent for Missouri policyholders; 73 raised rates by 7.8 percent, according to company filings with MDI.

Overall, 285 companies — or almost every insurer writing policies for Missouri businesses — are using rates below what they charged in 1994.

The 1993 law that deregulated pricing also allowed MDI and NCCI to advise insurers on the underlying loss factors that largely determine rates; many smaller insurers or those with few Missouri policyholders otherwise have difficulty setting rates that reflect the state's experience.

MDI's cumulative advisories to the industry have matched actual changes in the overall market with the agency suggesting cuts of 25 percent since 1994.

NCCI's pricing advisories have lagged behind overall

reductions that companies have made, totaling 20 percent workers comp market.

For 2001, NCCI noted that while the percentage of premiums paid to injured workers for lost income remained at its lowest level since the mid-1980s, medical treatment costs continue to increase.

Unlike MDI, the industry group breaks down its advisories into separate recommendations for five types of employees. It recommended a 2001 increase of 0.2 percent for manufacturing job classifications and 4.8 percent for miscellaneous workers.

It suggested rate cuts of 1.6 percent for office and clerical workers, 1.3 percent for construction employees and 2.6 percent for those involved with goods and services. Among the hundreds of job classifications used in setting premiums, NCCI recommended that increases range as high as 25 percent while reductions could reach 23 percent.

Note: Technically, the advisories cover "loss-costs," or the benefits and directly related expenses paid and incurred by insurers for accidents in the coming year, regardless of when claims are filed or benefits are paid. But loss-costs changes have closely tracked actual rates, or premiums, and usually are perceived as premium projections by the general public.

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HMO enrollment drops for first time; average commercial premium up 13% last year

Led by declining private-sector business, Missouri's health maintenance organizations (HMOs) experienced their first enrollment drop last year.

For most of the 1990s, Missouri HMOs registered double-digit annual growth in enrollment before posting a slight increase in 1998 and declining 2.3 percent or 42,000 members last year. At the end of last year, 1.6 million Missourians received their health services through HMO plans.

Missouri HMO revenue nevertheless jumped 16 percent to surpass the \$3 billion mark for the first time as the national trend toward raising premiums and stressing profitability took hold here. HMOs increased average premiums for commercial customers by 13.1 percent to \$136.99 per month.

Since 1995, HMOs have increased their Missouri revenues by 137 percent. HMOs now earn higher revenues than traditional group and individual health insurance combined in Missouri.

Commercial enrollment — largely from private employers — fell by 6.3 percent or more than 81,000 enrollees to 1.2 million overall. Membership increases in Medicaid and Medicare HMO plans offset part of the decline in private business.

From 1995 to 1997, HMO membership had increased more than 20 percent a year, reaching 37 percent in 1995, reflecting similar cost-containment trends across the country.

But nationwide, HMO enrollment has stalled as those health insurers changed their marketing and pricing strategies and businesses, spurred by employee preference, looked for alternative, like self-insured preferred provider organizations (PPOs) that allow greater choices in health-care providers.

Missouri does not regulate or collect data on PPOs.

After posting large losses in the mid-1990s when HMOs were aggressively seeking to expand their market share, the 20 "Missouri-based" HMOs substantially curtailed their red ink last year. Total losses for those HMOs, which do more than 60 percent of their business in Missouri, fell from \$28.7 million to \$10.6 million.

The enrollment, premium and revenue figures are included in the Missouri Department of Insurance's 1999 annual HMO report. Among other highlights:

HMOs cut premium spent on medical care; question of timely claims payment remains

- HMOs were successful in curtailing the proportion of their revenues spent on medical care. The average Missouri-based HMO spent 87 cents of each premium dollar on medical services for enrollees, or 3.7 percent less than in 1998. The figures ranged from a low of 60 cents to a high of \$1.21 spent for each dollar of premium revenues.

Restraints on medical costs were slightly more successful in Missouri than the plans experienced elsewhere.

- Timely payments to health-care providers gained considerable attention in 1999 in Missouri, reflected in the average age of claims. Missouri-based HMOs reported that the average claim had been held for 51 days while all plans showed an average of 45 days.

HMOs operating in Missouri are subject to disciplinary action if they do not pay undisputed claims within 15 days, and state law requires the payment of interest on undisputed claims more than 45 days old.

United Healthcare remains largest HMO, but enrollment is shrinking there, too

- United HealthCare of the Midwest, based in St. Louis, posted the largest enrollment and enjoyed one of the most profitable years among Missouri-based HMOs. The company had 444,000 enrollees — 28 percent of the total — and net income of \$10.3 million.

No other HMO had double-digit enrollment figures, but Coventry Healthcare Inc. — which owns Group Health Plan, Healthcare USA and Coventry of Kansas — had combined enrollment that accounted for 17.7 percent of all Missouri HMO members.

The most notable enrollment declines occurred at HMOs controlled by United, Blue Cross and Blue Shield of Missouri and Humana Inc. United's commercial enrollment fell more than 10 percent.

Medicare HMO revenues jump 34 percent; United also leads in senior enrollment followed by GHP, Humana

- United Healthcare registered the largest Medicare enrollment with more than 48,000

(See *HMO enrollment*, p. 4)

1999 Missouri HMO enrollment, revenues

Health maintenance organization	Total Missouri Enrollment	Market share	Missouri premium revenues	Nationwide net income (loss)
Alliance for Community Health	20,482	1.3%	\$22,203,832	\$572,737
Children's Mercy Hospital d/b/a Family Health Partners, Inc.	34,166	2.1%	\$48,475,528	(\$186,130)
CIGNA Healthcare of Ohio d/b/a CIGNA Healthcare of KS/MO	5,993	0.4%	\$12,379,506	(\$5,825,132)
CIGNA Healthcare of St. Louis, Inc.	5,326	0.3%	\$10,015,029	\$470,680
Community Health Plan	29,915	1.9%	\$48,297,836	(\$36,631)
Coventry Health Care of Kansas, Inc.	31,519	2.0%	\$43,447,302	\$2,555,094
Cox-Freeman Healthplans, Inc.	16,821	1.1%	\$29,178,252	(\$2,395,350)
Exclusive Healthcare Inc.	2,280	1.6%	\$2,955,894	\$420,212
FirstGuard Health Plan, Inc	25,301	1.6%	\$37,808,075	\$1,088,496
Good Health HMO d/b/a Blue Care, Inc.	31,308	2.0%	\$73,707,509	(\$1,149,272)
Group Health Plan, Inc.	153,806	9.6%	\$340,459,113	(\$12,528,634)
Health Partners of the Midwest	104,297	6.5%	\$154,072,559	(\$14,535,626)
Healthcare USA of Missouri, LLC.	90,724	5.7%	\$127,661,121	\$4,647,395
HealthLink HMO, Inc	26,658	1.7%	\$42,334,669	\$4,139,196
Healthnet, Inc.11	51,044	3.2%	\$120,255,605	(\$9,748,504)
HMO Missouri, Inc. d/b/a BlueChoice	112,139	7.0%	\$210,852,096	\$8,934,152
Humana Health Plan, Inc.	31,580	2.0%	\$73,227,325	\$8,068,118
Humana Kansas City, Inc.	43,191	2.7%	\$179,367,042	\$13,092,405
Kaiser Foundation Health Plan of Kansas City, Inc.	41,068	2.6%	\$50,604,742	\$3,371,552
Mercy Health Plan of Missouri, Inc. d/b/a Premier Health Plans	124,021	7.8%	\$205,375,668	(\$13,255,535)
Missouri Advantage, LLC.	10,781	0.7%	\$17,347,108	(\$1,270,619)
Missouri Care	14,334	0.9%	\$21,802,772	(\$2,482,085)
Prudential Health Care Plan, Inc.	87,356	5.5%	\$94,609,072	(\$211,616,003)
Total HealthCare	4,686	0.3%	\$19,089,854	\$1,753,656
TriSource HealthCare Inc. d/b/a Blue Advantage	53,156	3.3%	\$87,131,613	(\$1,369,553)
United Healthcare of the Midwest, Inc.	443,751	27.7%	\$952,672,769	\$10,265,010
US Healthcare, Inc d/b/a Aetna US Healthcare, Inc.	4,255	0.3%	\$6,248,254	(\$987,940)
Total	1,599,957	100.0%	\$3,031,580,145	(\$218,008,311)

workers comp rates*(continued from p. 1)***Missouri workers compensation loss/benefit history**

Year	Earned Premium (millions)	Incurred losses (millions)	Loss ratio (%)
1991	\$658.8	\$605.4 (record high)	92.0
1992	\$743.6 (record high)	\$587.4	79.1
1993	\$726.9	\$473.7	65.5
1994	\$633.3	\$388.1	61.2
1995	\$636.8	\$370.6	58.6
1996	\$588.7	\$269.5	47.3
1997	\$537.9	\$315.5	58.7
1998	\$570.6	\$334.8	58.6
1999	\$548.0	\$387.6	70.8

Missouri workers compensation rate history

Year	Companies reducing rates	Average reduction for those companies (unweighted)	Overall reduction total Missouri market (weighted)
1995	130	7.6 %	6.7 %
1996	159	9.5 %	4.1 %
1997	240	13.0 %	9.6 %
1998	212	15.3 %	9.8%
1999	181	9.4%	3.3%
2000	164	7.2%	n/a

HMO enrollment*(continued from p. 2)*

members, or 40 percent of the total, followed by Group Health Plan at almost 26,000 and 21.5 percent and Humana Kansas City at more than 15,000 and 12.7 percent.

Medicare enrollment grew by 9 percent overall in 1999 to almost 121,000 seniors with overall revenues up 34 percent.

- Healthcare USA, a Coventry HMO, controlled 33 percent of the Medicaid market with Health Partners of the Midwest and Family Health Partners, a Children's Mercy Hospital/Truman Medical Center HMO in Kansas City, with double-digit enrollment.

Medicaid enrollment of 277,000 Missourians and revenues both were up 12 percent.

Notes:

- * Enrollment from the Missouri Consolidated Health Care Plan, which serves state and local government workers, and other political subdivisions is considered commercial enrollment.

- * The 1999 Missouri Department of Insurance HMO Annual Report is available for \$35 by sending a check and request to Managed Care Section, Missouri Department of Insurance, P.O. Box 690, Jefferson City, MO 65102-0690. Key portions of the report are posted on the internet. ❖

Brown issues order on General American

Cole County Circuit Judge Thomas J. Brown has issued an order setting rules on how to distribute \$1.2 billion in proceeds from the sale of General American Mutual Holding Co.'s (GAMHC) assets to MetLife.

As a mutual company, GAMHC was owned by its policyholders, and those rendered eligible by Brown's ruling will share in the distribution of the sales proceeds and interest income, probably in the year 2003.

Brown's order provides that:

- Eligible policyholders as of Jan. 5, 2000 will participate in the distribution. This ruling removes the last doubts about the ability of policyholders to make changes or cash in their continuing General American Life Insurance Co. insurance contracts, if they so choose, without jeopardizing their GAMHC share.

- All eligible policyholders will receive a "fixed share" that equally divides 5 percent of the net sales proceeds. Eligible policyholders will receive so-called "variable shares" of the remainder of the funds under a complex formula that takes into account the number of policies held, their age, amount and other factors. Brown accepted the special deputy rehabilitator's proposal on the broad terms of the formula.

- Parties that want to legally challenge the terms of the sale or management decisions last year that precipitated the sale must file a "claim" by Jan. 31, 2001 or forfeit their right to do so. Brown approved a proposed claim form and public notice about the so-called "bar date."

The full text of Brown's [order](#) is available on the MDI site as are the [claim form](#) and [public notice](#).

After a mailing to all 330,000 policyholders potentially affected, Brown only received eight written challenges or comments to the special deputy rehabilitator's proposals. A few were represented by counsel at the Nov. 16 public hearing on the proposals before Brown.

All court documents are posted on the MDI website at insurance.state.mo.us; for additional questions, call 866-302-5944.



Nixon announces 15 directors of Missouri Foundation for Health

The initial 15 board members have been named for the Missouri Foundation for Health, the state's largest non-profit foundation, created by an out-of-court settlement by the Department of Insurance, Attorney General Jay Nixon and Blue Cross and Blue Shield of Missouri.

The board members were chosen from 35 nominees who were selected by community leaders representing more than 90 public interest groups.

The Missouri Foundation for Health results from a challenge by the department and Nixon to the 1994 reorganization of Blue Cross, which moved nonprofit assets into RightChoice, a for-profit insurance company. The new foundation will fund healthcare needs in the 85 counties and the city of St. Louis served by the former Blue Cross and Blue Shield of Missouri.

The foundation will be funded with \$12.8 million in cash from Blue Cross and 15 million shares of RightChoice stock held by Blue Cross. The stock shares are valued today at more than \$400 million.

Board of directors for the Missouri Foundation for Health

J. (John) David Auner, M.D., Ironton, began his private practice in Ironton in 1982. He has served as director of the William Edgar Foundation, legislative chairman for the Missouri Academy of Family Physicians and board member of the MacAlester Society at the University of Missouri School of Health.

John A. Bogert, D.D.S., M.S.D., Springfield, practiced pediatric dentistry from 1960 until 1986 in Kansas City. From 1986 to 1999, he was executive director of the

American Academy of Pediatric Dentistry in Chicago. He retired as a rank of captain in the U.S. Naval Reserve and has served on several national boards and public health.

Mary C. "Mikki" Brewster, St. Louis, a former licensed practical nurse, has served as an administrator with the St. Louis Public Schools and board member of St. Louis Community College district. A breast cancer survivor, Brewster chairs the St. Louis Breast-Cervical Cancer Partnership and works on breast cancer awareness in the minority community.

Melvin F. Brown, St. Louis, is a trustee of Washington University and the retired president and CEO of Deutsche Financial Services (formerly ITT Financial Corp.). He is a trustee of the Whitaker Charitable Foundation and past president of the Gateway Chapter of the Leukemia Society.

Erma Cunningham, Jefferson City, a leader in the Missouri AARP, helped organize Hospice of Jefferson City and served on its board for 10 years, including two years as chair.

Rory Ellinger, University City, an attorney has been actively involved in Northeast Missouri Legal Aid. He has experience in philanthropic activities and school board leadership.

Martha Gragg, R.N., MSN, CPHQ, Milan, is CEO of Sullivan County Memorial Hospital and an emergency room nurse. She previously worked for the Kirksville Osteopathic Medical Center, the University of Missouri-Columbia and the U.S. Health Care

Financing Administration.

Coleen Kivlahan, M.D., Columbia, is a physician at the University of Missouri-Columbia, has extensive experience in delivering health care to the poor and started and arranged funding for a public health clinic in Columbia. From 1993 until 1997, she was director of the Missouri Department of Health.

James Knight, M.D., St. Louis, has operated his private medical practice in north St. Louis since 1981 after obtaining his medical degree from the St. Louis University School of Medicine. He has served on the boards of several hospitals, including Central Medical Center, Compton Heights Hospital and is a past member of the Tenet Hospital Board. Dr. Knight currently serves on the Advisory Council for ConnectCare, the public consortium funding indigent care in greater St. Louis.

F. William McCalpin, St. Louis, has served on many boards of for-profit and not-for-profit institution and held top positions in various bar associations. He recently was named to the new Missouri Statewide Legal Services Commission.

Tracy M. Reed, DPM, Florissant, recently opened her private podiatry practice in north St. Louis but has unique perspective on healthcare delivery. Dr. Reed has sickle cell anemia and was rejected for health insurance coverage many times or had to pay premiums substantially above normal rates. Passionate about affordable coverage for the

(See *directors*, p. 8)



MDI Regulatory Actions

November 2000

Legal Action - Agents, Agencies and Brokers

Acceleration National Insurance Co., certificate of authority suspended.

American Chambers Life Insurance Co., certificate of authority revoked.

Bankers Commercial Life Insurance Co., certificate of authority revoked.

Blico Administrators, Inc., certificate of authority suspended.

Conestoga Life Assurance Co., certificate of authority revoked.

First National Life Insurance Co., certificate of authority revoked.

Hamilton Insurance Co., certificate of authority revoked.

LMI Insurance Co., certificate of authority revoked.

Financial Exams

Business Men's Assurance Co., Kansas City, MO.

Catholic Knights of America, St. Louis, MO.

Traders Insurance Co., Kansas City, MO.

Company Changes

ACE American Insurance Co., Philadelphia, PA, added accident and health authority.

ARA Purchasing Group Inc., New York, NY, was registered as a purchasing group.

Agora Skyndicate Inc., Chicago, IL, has been removed from the surplus lines eligibility list.

Agricultural Insurance Co., Cincinnati, OH, changed its name to *Great American Insurance Co.*

Alpine Life Insurance Co., Simsbury, CT,

changed its name to *Hart Life Insurance Co.*

American Alliance Insurance Co., Cincinnati, OH, changed its name to *Great American Alliance Insurance Co.*

American Physicians Life Insurance Co., Louisville, KY, changed its name to *Emphesys Insurance Co.*

AXA Global Risks US Underwriters Insurance Co., New York, NY, changed its name to *AXA Corporate Solutions Excess and Surplus Lines Insurance Co.*

B.R. Wolf & Associates, Morrison, MO, was admitted as a third party administrator (TPA).

Celtic Life Insurance Co., Chicago, IL, changed its name to *Celtic Insurance Co.*

Century Mutual Insurance, St. Charles, MO, converted to a Missouri Mutual, part II.

Christmas Tree Liability Purchasing Group, Portland, OR, was registered as a purchasing group.

Cincinnati Life Insurance Co., Cincinnati, OH, added variable contracts authority.

Credit General Indemnity Co., Beachwood, OH, lost its surplus lines authority.

Cox-Freeman Healthplans, Inc., Durham, NC, changed its name to *Cox Health Systems HMO, Inc.*

Dan Services, Inc., Durham, NC, was admitted as a TPA.

Eagle National Assurance Insurance Co., Cameron, MO, redomesticated from Iowa to Missouri.

EMC Property & Casualty Co., Des Moines, IA, was admitted as a property and casualty company.

F.A. Richards & Associates, Inc., Mandeville, LA, was admitted as a TPA.

Farm and City Insurance Co., Des Moines, IA, added miscellaneous authority.

First Marine Insurance Co., Osage Beach, MO, added liability authority.

Gibraltar Casualty Co., Newark, NJ, changed

(See *Regulatory Actions*, p. 7)

Public Policies

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* * *

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Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

If you have comments or questions, please send them to Melissa Becker, associate editor, P.O. Box 690, Jefferson City, MO 65102-0690 or call 573-526-2946.

Regulatory Actions

(continued from p. 6)

its name to *Mt. McKinley Insurance Co.*

Hansa Reinsurance Co. of America, Nanuet, NY, changed its name to *Suecia Insurance Co.*

Health and Life Insurance Co., Carmel, IN, merged with *Pioneer Life Insurance Co.*

Healthcare Insurance Group, Bellevue, WA, was registered as a purchasing group.

IOA RE Inc., Plymouth Meeting, PA, was admitted as a TPA.

Independent Fire Insurance Co., Fort Worth, TX, changed its name to *State National Specialty Insurance Co.*

Integon Specialty Insurance Co., Winston-Salem, NC, was admitted as surplus lines insurance co.

Mid-American Alliance Co., Jefferson City, MO, was admitted as a TPA.

National Disaster Insurance Association, West Hartford, CT, was registered as a purchasing group.

National Insurance Underwriters, Houston, TX, redomesticated from Missouri to Arkansas.

Professional Health Care Associates, Inc., Deerfield Beach, FL, was registered as a purchasing group.

Reliance Reinsurance Co., Philadelphia, PA, changed its name to *Overseas Partners US Reinsurance Co.*

Royal Life Insurance Co. of America, Simsbury, CT, changed its name to *Servus Life Insurance Co.*

Security Investigative Risk Purchasing Group, LLC, Nanuet, NY, was registered as a TPA.

Student Plans, Inc., Wheaton, IL, was admitted as a TPA.

Sun Insurance Office of America, Inc., Charlotte, NC, changed its name to *Royal & Sun Alliance Personal Insurance Co.*

Vesta Insurance Co., New York, NY, was removed from surplus lines eligibility.

Market Conduct

Sagamore Insurance Co., Indianapolis, IN, voluntary forfeiture of \$20,365.35.



Directors

(continued from p. 5)

disadvantaged and uninsured, she has dedicated her life to eradicating gaps in coverage for poor individuals.

Rev. B.T. Rice, Jr., St. Louis, senior pastor of New Horizon Seventh Day Christian Church, has served on the boards of such community group, as YMCA Monsanto Branch and Louis Health Issues Board. He is past president of the St. Louis Metropolitan Clergy Coalition and a member of the St. Louis Public School community advisory board and St. Louis 2004.

Don Rudd, St. Louis, president of Service Employees International Union, Local 50 since 1995, has served on numerous boards, including the Greater St. Louis Pension Fund Contract Cleaners Pension Fund and the Local 50 Health and Welfare Fund.

Alberta C. Slavin, Clayton, former chair of the Missouri Public Service Commission and consumer editor/reporter for KMOV-TV in St. Louis, is a community volunteer and has served on several not-for-profit boards.

Karl Eugene Wilson, Warrenton, a psychologist, is president of Crider Center for Mental Health in Warrenton. He has extensive experience with mental health services in rural counties as well as mental health and public health education programs. He serves on the board of the Missouri Association for Social Welfare.

